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Security Information

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PROPOSED STUDY
OF
THE IMPACT OF SHIPPING
CONTROLS ON WESTERN
EUROPE AND THE SOVIET BLOC

- Part I - The Soviet Bloc Merchant Fleet
- Part II - Impact on Western Europe of Protective Shipping Controls
- Part III- Political Considerations
- Part IV - Importance of Merchant Vessels to the Soviet Bloc in Time of War

State Dept. declassification & release instructions on file

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Security InformationI. The Soviet Bloc Merchant Fleet

A. Composition. As of 15 May 1952 the Soviet Bloc merchant fleet consisted of 808 ships (over 1000 gross tons) of about 2.7 million gross tons. This total includes merchant ships under Soviet Bloc registry as well as 48 Chinese Communist ships registered in non-Communist countries. The USSR has about three-quarters of the Soviet Bloc shipping tonnage, that is, 592 ships of about 2 million gross tons. Communist China has 135 ships of 366 thousand gross tons (almost half of the tonnage being under non-Communist flag). Poland has 67 ships of 754 thousand gross tons. The remaining 14 ships of 47 thousand gross tons are registered in Bulgaria, Czechoslovakia, Hungary, and Rumania. (For details see Table I.)

By Western standards the Soviet Bloc merchant fleet is of poor quality. Even with the inclusion of 83 Lend-Lease ships of 518 thousand gross tons, the USSR fleet is definitely over-age, of slow speed and small size, and close to obsolete. Two-thirds are over 20 years old; nine-tenths cannot exceed a normal cruising speed of 12 knots; three-quarters are under 5000 gross tons (the average size being 3450 gross tons); and three-fifths are coal burners. As a fuel for merchant ships coal is inferior to oil, but on the other hand coal-burning ships are in some respects more suitable for the Bloc, especially as the Bloc fleet lacks tankers to transport oil to such areas as the Baltic where petroleum is not locally produced.

The USSR merchant fleet has an acute lack of tankers. The 33 USSR tankers have a combined capacity of about 200 thousand deadweight tons, which, for example, is equal to only three days' production of the Abadan refineries. By way of contrast, the United States has over 600 tankers with a capacity of almost 10 million deadweight tons. Percentage-wise tankers comprise only 6.5 per cent of USSR tonnage, whereas the comparable United States figure is about 24 per cent.

Precise information is not available on the condition of the USSR merchant fleet, but it is estimated that at least 20 per cent of the USSR tonnage is out of service for repairs at home and abroad at any given time, and an additional unknown amount is probably inoperative because of obsolescence and poor material condition. Factors which

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contribute to the deterioration of the USSR merchant marine are the large number of very old ships in the fleet, inefficient maintenance, and severe winter ice conditions in Soviet ports except in the Black Sea.

In general, the Chinese Communist merchant marine has characteristics similar to those of other Soviet Bloc fleets. The ships are for the most part slow and small, but the fleet is younger than the USSR merchant marine and has a higher percentage of oil-burning ships. The fleet lacks tankers, having only 11 totalling 15,056 gross tons. China's chief source of maritime strength is its huge fleet of small craft (under 1000 gross tons). It is impossible to estimate the number and total tonnage of these small ships except in indefinite figures, that is, thousands of ships totalling several hundred thousand gross tons.

Compared to the USSR merchant marine, the Polish fleet is younger and faster, but the ships are on an average equally small (the average size being 3787 gross tons), and a majority are coal burners -- coal being plentiful in Poland. This fleet also lacks tankers. Two-fifths of the ships are over 20 years old; over two-thirds have a normal cruising speed of less than 12 knots; three-quarters are under 5000 gross tons; and three-fifths are coal burners.

The merchant fleets of the other Satellite nations (Bulgaria, Czechoslovakia, Hungary, and Rumania) are so small that they do not merit detailed discussion. However, it is noteworthy that Rumania has a 6672 gross ton passenger liner, the TRANSYLVANIA.

The shipping tonnage under Communist ownership has increased by 235 per cent since 1939. (That is, for every 100 tons in 1939 there are 235 tons today.) In September 1939 the USSR had 354 ships of 1.1 million gross tons. In May 1949 the USSR fleet had increased to 522 ships of 1.8 million gross tons, because of the addition of 83 US Lend-Lease ships, and reparations or seizures from Estonia, Latvia, Finland and Germany; at the same time the Communists had 184 ships of 560 thousand gross tons in the European Satellites and Communist China, so that the total Soviet Bloc fleet then amounted to 706 ships of 2.4 million gross tons. Between May 1949 and May 1952 the Soviet Bloc merchant tonnage increased by over ten per cent. In this period the USSR fleet showed a net increase of 70 ships of 154 thousand gross tons, including

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30 ships built in Hungary, 15 in Finland, 3 in Poland, and 19 in non-Communist shipyards, and the European Satellite fleets increased by 32 ships of 108 thousand gross tons (25 Polish ships including 13 purchased in the West, 3 Rumanian, 2 Bulgarian, one Hungarian, and one Czech), so that in May 1952 the total Soviet Bloc merchant fleet comprised 808 ships of 2.7 million gross tons. (For details see Table II.)

B. Shipbuilding Facilities Within the Bloc

1. a. Soviet Bloc Shipbuilding: Shipbuilding facilities within the Soviet Bloc are capable of producing 1,290,200 gross registered tons of shipping (merchant and navy) per year.^{1/} Of this total, the USSR is capable of constructing 747,400 gross tons; Poland, 200,300 gross tons; and East Germany, 186,850 gross tons. Czechoslovakia, Rumania, Communist China, Bulgaria, Hungary and Albania, have a total capacity of 155,650 gross tons per year. (See Table III.)

Although the USSR is capable of producing 747,000 gross tons of shipping per year, at the present time its maximum output of merchant shipping is estimated to be only 29,000 gross tons, all small craft, or less than four per cent of its total capability, mainly because of a concentrated naval construction program.

b. Technological Ability: Technological ability (that is, in shipyard facilities, engineers, and skilled labor) of the Bloc to produce a given ship, is roughly comparable to that of the United States or Great Britain. Quality of Soviet Bloc technicians compares favorably with the West, but quantity of trained personnel constitutes a shortcoming in shipbuilding capabilities.

c. Location and Capacity of Facilities: More than one-half of the entire shipbuilding capacity of the Soviet Bloc is located in the USSR and concentrated in five areas: Baltic, Black Sea, Arctic, Far East

I/ The maximum yearly capacity is based on one eight-hour shift, five-day week operation, without general use of prefabrication, and assuming the source and supply of shipbuilding material and component parts are adequate. It has been calculated from the largest cargo ship which could be built on the ways or in the docks, with reference to adequate supporting shop facilities, and a productivity of labor based on known US performance standards.

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and inland. Of the Satellites, Poland and East Germany have a combined capacity of one-third of the total Soviet Bloc tonnage; Czechoslovakia, Rumania, Communist China, Bulgaria, Hungary and Albania can construct about one-sixth of the total Soviet Bloc tonnage. (See Table III.)

d. Bottlenecks: Steel shipbuilding plates, rolled shapes, propulsion equipment and castings are in short supply in the Satellites, and imports from the West are necessary to maintain a satisfactory level of merchant shipping production. While such hard goods could be imported from the USSR, it would necessitate a reduction in the USSR's naval ship construction program.

2. New Construction in Progress or Planned: The present construction of merchant ships in the Soviet Bloc is limited to inland waterway vessels, coastal merchant ships and fishing vessels. While the future construction program in the USSR is unknown, Poland and Germany are aiming at the enlargement of their overseas merchant fleets. These aims, as stated, vary considerably from time to time, and no realistic estimate of future construction may be made.

3. Conversion and Usage of Old Vessels: In the immediate past the Soviet Bloc relied rather heavily on the conversion and repair of old and salvaged vessels as a means of building up their merchant fleets, even though costs have necessarily been excessive. If Satellite shipbuilding facilities and production should be expanded, as stated in various plans, it is probable that such uneconomical methods will be discontinued.

4. Shifting of Resources: If imports from the West are subjected to greater restrictions than now exist, a corresponding strain will be placed on the economy of the Soviet Bloc. Depending on the final aims of the Bloc -- naval versus merchant shipping construction -- resources from the West (including both materials and shipping services) allotted to the naval construction program may be transferred to the merchant shipbuilding industry if their merchant fleets are to be expanded and maintained.

C. New Construction and Purchases in the West.

1. Extent and Nature of Soviet Bloc Purchases: In the last five years the Soviet Bloc has purchased from Western countries 20 merchant ships of 107 thousand gross tons which were not of new construction. Of these ships, 17 are under Polish registry, two are registered in Bulgaria, and one is registered in Czechoslovakia. Three were bought in 1947, one in 1948, two in

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1949, four in 1950, and 10 in 1951. Six were bought in the British Empire, four in Denmark, four in Norway, two in Sweden, and one each in France, Belgium, the Philippines, and the United States. One is a dredger, one is a tanker, and the remainder are freighters. Fourteen are under 7000 gross tons, and 10 have normal cruising speed of less than 12 knots. (For details see Table II.)

In addition to the above mentioned purchases, since 1949 the Soviet Bloc has received 23 ships of 45,000 gross tons constructed under trade-agreements in Western shipyards. Of these ships 19 went to the USSR, three to Poland, and one to Bulgaria. Two were delivered in 1949, four in 1950, 12 in 1951, and 5 in 1952 (as of 15 May). Thirteen were built in Belgium, three in Sweden, two each in Britain, Finland, and Italy, and one in Denmark. Thirteen are cargo vessels, five are trawlers, three are tankers, and two are combinations. The average size is 1981 gross tons. Seven ships have a normal cruising speed in excess of 12 knots.

As of 15 May 1952, 53 more ships of 108,000 gross tons were under construction or on order for the Soviet Bloc in six Western shipyards. All are destined for the USSR. Thirty-two are on order in Finland, eight in the Netherlands, seven in Denmark, five in Belgium, and one in Sweden. Thirty are cargo vessels, twenty-three are tankers, and six are combinations. The average size is 2190 gross tons. An unconfirmed report states that Italy has contracted to build for the USSR six ships of 21,000 gross tons.

a. The Soviets are willing to pay a premium for merchant shipping constructed to their order in the West. In Belgium (believed to be representative of the general situation) they pay fifty per cent more than the current market price. Details are not available on prices paid by the Soviets for second-hand ships.

b. The Soviets arrange for new construction directly and overtly. Of the 23 second-hand ships which the Soviet Bloc has bought since 1950, four are known to have been transferred to the Bloc under the terms of trade agreements, and the remainder were acquired more or less covertly, usually through an intermediary after a period of operation under Soviet Bloc charter.

c. No.

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d. The terms of delivery are cash or payment in goods under trade agreements. In general the Soviets pay cash for second-hand ships and arrange for new construction through trade agreements.

e. The Soviet Bloc has supplied only insignificant amounts of shipbuilding materials for ship construction in the West.

D. Soviet Bloc Imports of Marine Equipment

Following table represents the value of exports to Soviet Bloc of ships and marine equipment for 1950 and 1951. Total exports of these commodities are also stated for comparative purposes. Values are in millions of dollars.

	<u>1950</u>	<u>TOTAL</u> <u>1951</u>	<u>TO SOVIET BLOC</u> <u>1950</u>	<u>1951</u>
United Kingdom	131.6	162.4	1.9	none
Norway	17.0	64.0	.8	.2
Netherlands	7.8	8.4	1.5	1.2
Italy	25.2	20.2	1.0	9.4
Sweden	70.7	n.a.	1.5	n.a.
Denmark	1.8	n.a.	1.7	n.a.
Finland	3.3	n.a.	3.1	n.a.
Belgium	4.9	12.4	2.7	5.5
France	<u>n.a.</u>	<u>3.3</u>	<u>n.a.</u>	<u>none</u>
	262.3	270.7	14.2	16.3

Above figures represent values of exports of ships and marine equipment. Taken separately, the figure representing marine equipment, motors, parts, etc., is as follows:

	<u>1950</u>	<u>TOTAL</u> <u>1951</u>	<u>TO SOVIET BLOC</u> <u>1950</u>	<u>1951</u>
United Kingdom	14.2	13.7	.6	none
Netherlands	2.1	2.0	none	none
Italy	<u>n.a.*</u>	<u>6.8</u>	<u>n.a.*</u>	<u>6.8</u>
	16.3	22.5	.6	6.8

Remaining countries did not have any exports of marine equipment to Soviet Bloc during this period.

* Data not available

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E. Integration of Soviet Bloc Merchant Fleets

1. General Progress: The Satellite merchant fleets appear to be independent, but they all operate in greater or lesser degree under USSR control, which is effected in part through manipulation of the shipping companies' corporate structure and in part through the use of Soviet personnel in key administrative positions.

In 1946 Hungary and the USSR formed the Hungarian-Sovietian Shipping Company, Ltd. (MEZHART) which operates mainly in the Danube. In theory this company is an equal partnership between the two governments. In fact it operates under USSR control.

In 1948 Rumania and the USSR formed the Soviet-Rumanian Navigation Company (SOVROMTRANSPORT) to operate Rumania's seven merchant ships. Rumania contributed most of the capital, but management of the concern is vested in a Russian.

In 1948 Bulgaria formed the Bulgarian Maritime Fleet, which in theory is Bulgarian owned and managed. In fact USSR engineers control this organization.

In January 1951 the Polish merchant marine underwent a reorganization which abolished the Gdynia-American Lines, the Polish Navigation Company, and the Polish-British Steamship Company, Ltd., and established the Polish Ocean Lines and the Polish Steamship Company. These two new companies operate under the administrative direction of the Polish Central Board for Shipping which is subordinate to the Polish Ministry of Navigation. These organizations apparently retain their national autonomy, but USSR domination is evidenced by the transfer of the Polish ships SOBIESKI and JAGIELLO to USSR registry.

Czechoslovakia has only one ocean-going ship, the REPUBLIKA, operated by Czechofracht, Ltd., Prague, under USSR control.

East Germany has no merchant ships of 1000 gross tons and above, but its extensive fishing fleet is completely under USSR domination.

Albania's merchant fleet is limited to government-owned coastal schooners, which are believed to operate under indirect USSR control.

It is probable that there is some USSR penetration in the administration of the Chinese Communist merchant marine, but the exact nature and extent of this penetration is not known.

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2. Interchange of Crews: There is evidence that Soviet personnel are on board some Satellite vessels; some exchange of working crews and training groups between Satellite merchant fleets has occurred.

3. Transfer of Vessels: A total of six ships is known to have been transferred by Satellite countries to the USSR. (Poland transferred five, totalling 25,000 gross registered tons; Rumania transferred one of about 7000 gross tons.) In 1949, Russia, in turn, transferred three vessels totalling 11,000 gross tons to the Rumanian flag.

4. Training of Merchant Marine Crews: While it is known that Russians supervise the training of Albanian and Rumanian merchant marine crews, the degree of USSR control over training in other Satellite fleets is not known.

~~T-Route and Cargo~~
~~T-1, T-2, T-3, Routes and Cargo~~ The USSR merchant fleet operates almost exclusively in home waters and between Soviet spheres, and acts as an extension of the incomplete Soviet Bloc railway network. In some areas the fleet is vitally important: for example, Albania and outlying parts of Eastern Siberia can be supplied only by sea. Normally the USSR merchant tonnage is allocated as follows: 55% in the Far East, 20% in the Black Sea, 20% in the Baltic, and 5% in the Arctic (mainly in the Murmansk-Archangel area). An insignificant amount of USSR shipping transits the Northern Sea route (Murmansk area eastward to the Vladivostok area or vice versa), although seasonal coastal traffic is quite heavy. At any given time in recent years no more than one-tenth of USSR merchant tonnage was outside of Communist-controlled waters. Vessels tend to stay in an area for a considerable time and act as an intra-area feeding service. Little firm information is available on USSR shipping that stays behind the Iron Curtain. The shipping that ventures outside mostly follows normal trade routes, except that since the start of the Korean War ships bound north or south along the Chinese Siberian coast have avoided the Tsushima Straits. No regular pattern may be derived as to the type of USSR ship engaged in traffic outside the Iron Curtain, except that relatively few are so engaged at any one time. Some USSR ships have operated under British charter to carry timber from the Soviet Arctic to the UK; some USSR ships have carried grain from the Black Sea to Egypt; some USSR ships have carried general cargo of a more or less strategic nature from Europe to the Far East;

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and some USSR ships have carried fodder and strategic raw materials from the Far East to Europe. But no apparent effort is made to operate with regularity or economy, as USSR ships move in and out of Soviet home waters apparently at random; and from time to time small coastal ships unsuited to long voyages have been sent on voyages from Europe to the Far East and back again. However, it is known that merchant marine operations outside the Soviet Bloc are exploited for intelligence. Following are some examples of the observed Soviet techniques: (1) contact with and supply of agents or smuggling in Southeast Asia; (2) surveillance of Western naval forces in the Mediterranean; (3) surveillance of shore defenses in the Bosphorus and Gibraltar area; (4) purchases of many charts covering Western Hemisphere coasts; (5) research in fields of hydrography and oceanography by scientists who accompany whaling expeditions.

In contrast to the USSR fleet, the Polish merchant marine operates on regular schedules set up on sound economic principles, in that Polish ships are properly routed according to their size and capabilities. The small coastal-type ships operate in or near the Baltic and only the large ships make longer voyages. At any given time about three-quarters of the fleet is in or near Polish home waters. About half of the shipping tonnage trades exclusively with Western Europe, and the other half trades along the sea route from Poland to Communist China via Suez, Polish ships follow standard trade routes. They have carried strategic cargoes from Europe to China and strategic raw materials from China back to Europe. It is apparent that the USSR has selected the Polish merchant fleet as the agent to carry the bulk of the intra-area Soviet Bloc trade.

The Chinese Communist merchant marine tends to remain in Chinese home waters and to follow normal coastal routes. The only Chinese-owned ships that regularly touch foreign ports are those under foreign flag, but even these ships trade mostly in the Far East.

G-3 Servicing of Soviet Bloc Vessels in Western Ports: The Soviet Bloc is partly dependent upon the West for bunkering, watering, provisioning, pilotage, dockage, insurance, agent services, and ship surveying. Communist flag vessels are capable of operating in European waters without bunkering in non-Bloc ports, but on their longer trade routes they are at least partially dependent on Western supplies. The Communists have made an effort to establish fuel depots in China for vessels engaged in the China-Europe traffic, but it

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is, nevertheless, common for such vessels to seek bunker fuel at intermediate ports on the route. Since the departure of Lloyd's surveyor-inspector from Poland in mid-1950, all Polish vessels registered with Lloyd's must undergo inspections for purposes of certification in Western ports. Part of the Satellite merchant fleet is still insured by Western underwriters. Several London firms act as agents for Communist vessels. Soviet-Bloc vessels are obviously dependent upon such local services as pilotage, dockage, and assistance of local agents when entering Western ports.

H. 4 Repairing of Soviet Bloc Ships in Western Ports: On 15 May 1952, 13 Soviet Bloc ships of 104,000 gross tons were under repair in Western yards. Ten of these ships were Russian and the remainder were Polish. Five ships were under repair in Italy; three each were under repair in Belgium, Denmark, the Netherlands, and West Germany; and one was under repair in Great Britain. (For details see Table IV).

This situation is believed to be normal, for the volume of Soviet Bloc shipping under repair at any one time in Western yards has not varied appreciably in the past year.

So far as the Soviet Bloc is concerned, the use of efficient Western yards for ship repairs represents a major convenience. So far as the West is concerned, the repairing of Soviet Bloc ships has only trivial economic importance, for the Soviet Bloc ships use only a fraction of the overall non-Communist ship-repair facilities.

I 4 Relative Importance to Soviet Bloc of Sea Transport

1. Excluding China, about 60 per cent of the Soviet Bloc's export tonnage to the West and about 65 per cent of the import tonnage from the West move by sea. Communist China's trade with the West is about 85 per cent seaborne in both directions. Precise information is not available on the value of the Bloc's seaborne trade. However, some items of great strategic importance, such as rubber, enter the Bloc only by sea. Statistics released by the USSR state that 7.5 per cent (by ton-kilometer) of the USSR's domestic trade moves by sea. It is estimated that 15 to 25 per cent of the entire Soviet Bloc's domestic trade moves by sea.

2. Detailed information is not available on commodity movements in the Soviet Bloc's trade with the West and in the Soviet Bloc itself. For a summary of the main routes of the Soviet Bloc merchant fleet see section "F" above.

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II-A, 1-5: These questions are treated in II-C-2, a-c, below.

II-A-6: Non-Communist Registered Merchant Shipping Under Charter to the Soviet Bloc in 1951.

During 1951, 1280 non-Communist registered merchant ships of 4.6 million gross tons traded with the Soviet Bloc in Europe and in the Far East.⁽¹⁾ Of this total, 117 ships of .5 million gross tons are known to have been chartered to Soviet Bloc countries. Much of the remaining shipping is believed also to have operated under Soviet charter of some sort, but details are unknown.

The non-Communist registered merchant shipping tonnage known to have been chartered to Soviet Bloc countries in 1951 (that is, .5 Million gross tons) was registered in 11 countries, with European COCOM member nations (U.K., Norway, Italy, and Denmark) accounting for well over one-third. Other European countries (Greece, Turkey, Finland, and Sweden) supplied almost one-third of the registered tonnage. Panama, Costa Rica, and Liberia made available almost one-third. However, all the ships of Panamanian, Costa Rican, and Liberian registry known to have been under Soviet Bloc charter in 1951 were beneficially owned by firms located in the British Empire, United States, Greece, and Italy. This circumstance doubles the COCOM tonnage known to have been under Soviet charter. (For details see Tables V and VI.)

About one-third of the non-Communist registered merchant ships known to have been chartered to the Soviet Bloc operated on long-term charters (six months or longer).

Of the 117 non-Communist registered merchant ships known to have been chartered to Soviet Bloc countries, only nine totalling 50,274 gross tons were tankers. One-third of the vessels exceeded 7,000 gross registered tons, and one-tenth exceeded 12 knots in speed.

II-A-7: Transportation of Controlled Goods to Soviet Bloc Ports

During 1951 a total of 159 million dollars worth of International List commodities is known to have been shipped to Soviet Bloc countries. An additional unknown amount, excluding Finland, is unreported. The breakdown by countries of origin is presented in Table A. In some instances it is

(1) This total includes all non-Communist registered merchant ships (over 1000 gross tons) that sailed to or from a Soviet Bloc port in 1951. Each ship is counted only one, regardless of the number of voyages made.

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possible to give a further breakdown. Thus, in the case of Turkey, shipments consisted of 7,532 tons of copper ingots valued at \$8,090,000; 504,609 tons of chrome ore valued at \$16,486,000; 46,202 tons of manganese valued at \$1,614,000 and 18,903 tons of scrap iron valued at \$770,000 for a grand total of 577,246 metric tons and a total value of \$26,960,000.

In the case of the Federal Republic of Germany values of shipments were as follows: International List I - \$446,440; International List II - \$2,035,526; International List III - \$187,513. Tonnages are not available.

The Netherlands shipments were as follows:

International List I	\$	140,794.00
" " II		1,122,413.00
" " III		493,566.00
TOTAL	\$	1,756,773.00

Italy exported International List II commodities only for a total of \$6,800,000.00. In the case of Finland accurate figures are not available.

While the bilateral agreements with Bloc countries give an approximate idea of such exports, the wording of available Finnish statistics is not sufficiently precise to permit identification of "list" items.

Belgium's exports of "List" items were as follows:

International List I	\$	2.7 million
" " II		15.0 "
" " III		3.1 "
TOTAL	\$	20.8 million

Swedish goods on International Lists I and II licensed for export to the Soviet Bloc totaled \$24,986,000 in 1951. Ball and roller bearings accounted for 61 per cent of List I goods, while ships (primarily trawlers) accounted for 31 per cent. Among the goods on List II ball and roller bearings and ships accounted for 44 per cent of the total.

Danish Exports follow:

International List I	\$	75,113
" " II		7,527,650
" " III		1,373,179
TOTAL	\$	8,975,942

In the case of the United Kingdom the figures were as follows:

International List I	\$	558,647
" " II		7,460,090
" " III		48,766,054
TOTAL	\$	56,784,791

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International List Commodities
Exported to the Bloc in 1951
(millions of dollars)

Greece	none
Turkey	26.9
Sweden	25.0
Spain	none
Portugal	none
Norway	2.0
The Netherlands	1.8
Italy	6.8
Germany	2.7
France	7.2
Finland	n.a.*
Denmark	9.0
Belgium	20.8
United Kingdom	56.8
TOTAL	159.0

* Information not available

II-C-1: Following are figures of earnings from ships sales to the
Soviet Bloc - by countries:

Denmark

Two 13,000 ton tankers were contracted at the price of 15 million crowns each. The total, therefore, is 30,000,000 crowns, or at the rate of 14.14 per crown, about \$4,350,000. The five refrigerated ships were to be delivered some time in 1953. The contract price is not available.

Belgium

The value of Belgium commitments is estimated to amount to slightly over \$11,000,000.

Netherlands

Outstanding ship construction contracts with the USSR alone at least will require Soviet payments to The Netherlands in either goods or dollars to the value of about 60 million guilders (about \$15.2 million) by December 31, 1954. Some authorities estimate the total value of the vessels under construction for the Bloc at about \$18 million. In practically every instance, the Soviet Bloc governments are willing to pay a premium

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over the existing market price. The payments are in cash (in gold or in dollar exchange) or, more often, the earnings can be applied as credit toward purchases of grain, coal, and other raw products in the USSR or Poland.

II-C-2: Importance of Construction and/or Sale (Charter) for the Soviet

Bloc from a Production and Sales Point of View

Table B

SHIP CONSTRUCTION

in Selected European Countries as of April 1, 1952

<u>Country</u>	<u>No. of Yards</u>	<u>No. of Ships</u>	<u>Deadweight Tonnage</u>	<u>GRT</u>
United Kingdom	61	1,065 356	8,455,268	2,270,621
Belgium	2	29 11	369,276	69871
Denmark	6	69 24	484,430	127,290
France	16	105 74	1,102,653	425,300
Germany	18	325 175	2,232,028	452,676
The Netherlands	46	301 143	1,418,813	203,600
Italy (including Trieste)	10	42 47	429,670	259,913
Norway	13	87 57	765,235	133,743
Sweden	13	230 57	1,873,765	308,615
	181	2,253 934	17,211,158	4,328,630

Table B indicates the volume of ship construction in the nine principal shipbuilding countries in Europe. It will be noted that in the 181 principal shipyards in Northern Europe and Italy some 2,253 ships are being built with a total deadweight tonnage of some 17,200,000. Of this total, only 59 ships with an aggregate deadweight tonnage of slightly over 120,000 is for Soviet Bloc countries. As indicated above, (I-C-1), of the total 32 ships are being built in Finland which country, due to its close location to the USSR and the political situation, is compelled to accept shipbuilding orders from the Bloc. Of the remaining 27 ships only two are of considerable size, namely, the two 13,000 dwt ton tankers being built in Denmark. The rest of the ships average something less than 2,000 gross tons each.

Denmark

Examining the relative importance of shipbuilding for the Bloc by

individual countries it can be said that in Denmark all the Soviet

LEADS REGIONAL SHIPBUILDING RETURNS. TABLE 1

MERCHANT SHIPS UNDER CONSTRUCTION

OF 1,333 APPROX 100,000 GROSS TONS QUANTUM ENDED 31 MARCH, 1952.

ships are being built by Burmeister and Wain of Copenhagen. In this yard there is a total of 23 ships on order with an aggregate deadweight tonnage of 191,725. Of this, the tonnage being built for the Soviet Bloc, namely, seven ships of an aggregate tonnage of 29,675 tons, represents about 15 per cent, while as far as the total tonnage being built in Denmark is concerned, the Soviet Bloc tonnage amounts to only 6 per cent.

It is therefore submitted that, should all shipbuilding activities for the account of Soviet Bloc be embargoed, the loss to this individual shipbuilding concern in Denmark would be somewhere in the neighborhood of 15 per cent of its total receipts and to the entire Danish economy something like 6 per cent of their total income from shipbuilding. On the basis of these figures alone it would appear that an embargo on shipbuilding for the Soviet Bloc could be undertaken without any particular impairment to the Danish economy. However, one must bear in mind that a large percentage of the national revenue of Denmark is derived from ship repairs and from ocean freights. For instance, in the bilateral trade agreement between Denmark and Poland in 1950 there was included the sum of almost 5,000,000 crowns for ship repairs by Denmark and some 10,000,000 crowns for freights payable to Denmark. In the trade agreement of 1951 these amounts were 2,000,000 crowns and 10,000,000 crowns respectively. Thus, restrictions on shipping and shipbuilding services which Denmark supplies to the Soviet Bloc constitute a considerable amount. It is believed that if all such services were terminated the activities of the shipbuilding industries would be somewhat affected because of the difficulty and delay in securing new construction and repair contracts in Western Europe at satisfactory prices; some unemployment in shipbuilding and related industries would result and the transportation of coal from Poland would probably be disrupted, at least temporarily.

Belgium

In the case of Belgium, in view of the small amount of tonnage involved, the imposition of strict shipping controls would not affect seriously either shipbuilding or ship repair activities. About 3 per cent of the total shipping traffic through Belgium is of Soviet Bloc

registry. Variations in the total volume of shipping traffic through Belgium exceeding this amount occur normally from month to month without affecting port and shipbuilding activities.

Two of the Belgium shipping agencies which handle the affairs of practically all of the Soviet lines calling at Antwerp would suffer losses if Soviet shipping was cut off. However, since these same agencies also represent some of the largest Western European lines, the loss of the Soviet Bloc business would not be critical to them. Practically all of the forwarding agencies in Belgium are involved in handling transit shipments to the Bloc. Since business with the Bloc is often more lucrative to a forwarder than with the Western countries, there could be a substantial total financial loss resulting from the cessation of this type of activity. However, since so many forwarders participate in this business it is doubtful if any individual forwarder would be seriously affected.

During 1950, the latest year for which data are available, repair work performed on Soviet Bloc ships by all Western countries amounted to \$10,000,000. Only six per cent of this total was performed in Belgium. Three Antwerp repair yards performed all of the repair work of Soviet ships during this period. These repairs amounted to more than 18 per cent of the total work of the three yards.

The Belgian shipyard currently building for the USSR under the contract signed in 1948 has devoted most of its facilities and the labor of its 1,600 workmen to this contract during the past two years. Whereas in 1950 orders for new ships and repairs which were obtained from the Soviet Bloc were most helpful in maintaining the activity of the yard concerned it would now appear that most of the Belgium shipyards have a backlog of orders from Western countries. Therefore, any losses resulting from the termination of contracts with the Soviet Bloc would not, at least at the present time, affect them very greatly.

France

France does not build any ships for the Soviet Bloc and does not perform any repairs for the Soviet Bloc (with the exception of the repairs made on the S/S WISCONSIN which steamer was turned over to Poland under the Franco-Polish trade agreement). Therefore, the effect of the termination of all shipping and shipbuilding activities for the Soviet Bloc

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would be negligible, as far as the level of output in the shipping industries of France is concerned. As in the case of Denmark, the deliveries of coal from Poland may be seriously affected, but on the other hand Polish coal is unimportant to the French economy.

Germany

The effect of termination of shipbuilding and shipping services to the Bloc would be very slight also in the case of the Federal Republic of Germany, with the possible exception of coastal shipping and fishing industries. The coastal shipping would be seriously affected as a great part of their business is with the Soviet Zone of Germany, and to a lesser extent, with Poland.

It is not possible, on the basis of the data currently available, to estimate the loss to the German economy which could be anticipated if coastal shipping services for the Bloc were terminated or restricted. Statistics are not reported separately for coastal, as distinguished from foreign traffic, because vessels classified as coastal are frequently used in trade with other countries bordering on the Baltic and North Sea, and vessels which normally would be classified for foreign trade also engage in domestic trade.

The total seagoing trade fleet operated by German shipping companies earned a total of \$185.4 million DM (\$44 million) in foreign exchange during 1951 and employed 18,147 persons. No data are available as to the portion of these earnings which accrued from shipping services in Bloc trade. Statistics on arrivals and departures of German Flag vessels in Western German ports during 1951 which may give some indication of the relative magnitudes, are as follows:

German Flag Vessels Entering and Leaving West German Ports During 1951				
	No. of Vessels	Net Registered Tons	of which loaded and calling at more than one German port No. of Vessels	Net Registered Tons
<u>Arrivals</u>				
Total from all ports	38,669	6,849,108	1,630	380,786
of which from Bloc ports	373	44,544	4	581
<u>Departures</u>				
Total to all ports	38,894	6,873,498	1,469	330,743
of which to Bloc ports	412	74,726	4	765

SOURCE: Despatch No. 549, American Consul General, Hamburg, April 16, 1952, pp. 2 and 4 and Appendices 13 and 14.

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NETHERLANDS - In evaluating the potential effect of the termination of shipping to the Soviets on Netherlands shipping and related industries, a distinction must be made between direct trade or shipments to the Bloc and trade or shipments moving through The Netherlands. The Netherlands' exports to the Bloc in 1951 were less than 2¹/₂ per cent of total exports; imports were less than 3 per cent, and transit trade to the East in 1950 was less than 2 per cent of world traffic transiting the country. These figures would at first sight indicate that a complete cessation of trade with the Bloc would result in only minor dislocations in the shipping industries affected, especially since only part of this trade is carried in Netherlands bottoms. However, these figures do not represent a reasonable measure of the amount of trade carried or financed by The Netherlands which reaches the Soviet Bloc via inland waterways and particularly through Switzerland and Germany. The tonnage of transit shipments going by inland waterways alone was 8 per cent in the case of Switzerland, and 35 per cent in the case of Germany. It is impossible to determine from The Netherlands records what portion of these shipments was reshipped to the Bloc, but it is a known fact that large quantities of goods have reached the Bloc by these means.

Total stoppage of this trade would have a serious effect on the Netherlands inland fleet and other inland transportation. Although it is not possible to express this fact in percentage figures, the impact would also be felt seriously by Netherlands ports and, in the long run, in the economy of the whole country.

Due to the lack of comprehensive Netherlands' statistics no evaluation can be made of the effect of restrictions on trade with the Soviet Bloc, on employment in shipping and related industries. However, unemployment at present is a serious problem to The Netherlands Government and a further increase will aggravate it. At the end of February 1952, total unemployment numbered 184,000. Of this number, 1,500 were merchant marine personnel and 6,145 land-based personnel of transportation enterprises.

ITALY - The Italian shipbuilding industry has generally been depressed mainly because of peace treaty limitations on the construction of naval vessels. Italian shipbuilding costs are high, almost double those of the United Kingdom. Consequently, the Italian Government was forced to subsidize the shipbuilding yards. The subsidization has been carried out under the so-called Saragat Law of March 8, 1949. Because of high costs it has been difficult for Italy to find foreign customers. In certain cases, however, it is presumed that Soviet Bloc customers, or buyers, disregard cost factors. The most sig-

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nificant production for the Soviet Bloc is not the ships themselves but marine diesel engines. In 1951, the value of ship exports which are not under International Control Lists, amounted to only \$2,825,000, whereas the value of marine diesel engines was \$6,800,000. Italy's general problem of employment includes shipyard workers. It is presumed that even a relatively small reduction in shipyard work resulting from stoppage of work on vessels destined for the Bloc would provide political fuel for the Communist-influenced unions.

NORWAY - There is no construction or repairs of Soviet Bloc vessels in Norway.

The termination of ship services to the Bloc would have little or no effect on shipping and related industries in Norway.

SWEDEN - Sweden delivered to the U.S.S.R. a total of 67 vessels valued at 78,900,000 crowns between 1948 and June 30, 1952. Out of this number only 3 were small tankers. The other vessels were trawlers and fishing vessels. Seventeen vessels valued at 34,100,000 crowns remain to be delivered during the second half of 1952 and 1953. Of this latter number three are reported to be tankers. Swedish deliveries of vessels to Poland totaled 18, valued at 24,400,000 crowns during the period 1950 through June 30, 1952. Except for an old cargo vessel (the Axel Salen) the vessels consisted of smaller types. Recent reports from Sweden have made no mention of any repair work being carried out on Soviet Bloc ships. Swedish ships calling at Soviet Bloc ports are engaged in carrying goods between Swedish and Soviet Bloc countries. The majority of vessels are engaged in carrying coal from Poland to Sweden. Ships engaged in this traffic are smaller vessels, designed for Baltic and European traffic. Swedish shipowners have complained that they have not been given a fair share of the carriage of goods between Sweden and the Soviet Union. Termination of shipping services to the Soviet Bloc would not have any significant affect on the Swedish shipping industry.

UNITED KINGDOM - No ships were launched in the United Kingdom for registration in any of the Soviet Bloc countries during 1951 or 1952. The Admiralty seized two tankers of 15,684 tons gross which were originally built in England for Polish ownership. In that case the Admiralty claimed that the vessels were necessary for the defense of the country and hoisted the white ensign on the ships.

On the other hand, the British Government is opposed in principle to the imposition of formal controls on shipping services as a means of strengthen-

ing security of export controls. However, informal arrangements on control do exist. For instance, British oil companies now withhold bunkers from those vessels east of Suez in cases where there are no bunkering contracts with the shipowners, or where the oil companies are not in the habit of supplying bunkers on a spot basis. Black lists are maintained on small ships sailing in Far Eastern waters suspected of supplying fuel to Communist China, and the oil companies are careful to supply these vessels with only a minimum of their requirements.

On the basis of available information (which is by no means complete), it can be concluded that complete termination by the UK of all shipping and shipping services to the Soviet Bloc would have little appreciative effect on the level of output, employment and raw material availability in shipping and related industries.

FINLAND - While information on ship deliveries to the USSR is somewhat out of date, the following list is believed to represent a fairly accurate picture of 1952 deliveries of various kinds of vessels to the USSR as reparations and under the current bilateral trade agreement:

- 26 tugs
- 80 lighters
- 4 trawlers
- 19 schooners
- 3 tankers of 1,100 tons each
- 4 cargo ships of 3,200 tons each.

Finland is also to deliver to the USSR 20 ships boilers under the bilateral agreement in 1952.

The value of vessels and repairs to vessels to be supplied to Poland under the 1952 bilateral agreement cannot be determined precisely, but the total amount provided in the agreement to cover vessels repairs and some machinery for processing forest products amounts to \$700,000.

If the supply of ships and shipping services to the Bloc were terminated it is believed that:

1. The activities in shipbuilding and allied industries would be most severely curtailed with very serious adverse affects on the entire economy of Finland from the inability to pay for vitally needed supplies of grain, fuels, and other staples.
2. Serious unemployment with probable disturbances of a serious nature would result.
3. Raw materials shortages would develop because of the cessation

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On the other hand, cutbacks in the small supply of steel to Finland by the U.S. need not have any effects on shipbuilding for the Bloc account, because the USSR furnished much of the steel required and domestic industry could probably supply any deficit not obtainable in Western Europe. The possible effects of cutbacks in the very limited amounts of other materials supplied Finland by the U. S. would probably be negligible except possibly as concerns coke and petroleum products.

As concerns deliveries of ships due as reparations, and delay will subject Finland to very severe penalties of unpredictable extent.

OTHER COUNTRIES - No deliveries of ships were made during 1951 or 1952 from any of the following countries:

Portugal

Spain

Greece

Turkey

In the case of Spain and Portugal no shipping services exist between these countries and the Bloc, so that the economy of these countries would not be affected in any way due to termination of shipping services.

In the case of Turkey, any shipping activities which this country may carry on with the Bloc are of minor nature. Turkish policy is aimed at building up its domestic fleet. Therefore, termination of shipping and shipping services to the Bloc would not have any appreciable effect on industrial output, employment, or raw material availability.

In the case of Greece shipbuilding and ship repair industry since the war makes the poorest showing of any sector of the economy, averaging during 1951 only 7 per cent of prewar activity.

Trade and other economic relations between Greece and the Soviet Bloc are very limited. Therefore, the presence or absence of shipping and shipping services to that area would not significantly alter industrial output, employment, or raw material availability. There is Greek legislation pending regarding shipping controls in the trade with Communist China as effected by United Nations embargo under Resolution No. 500 of May 18, 1951.

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BALANCE OF PAYMENTS CONSIDERATIONS

DENMARK -

While the receipts of Danish shipping in foreign service form one of the most important sources of foreign exchange for Denmark, no information is available as to the relative importance of such receipts from Soviet Bloc countries. (Total earnings in service between foreign ports and between Danish ports and abroad were about 1,250,000,000 crowns (\$181,000,000) in 1951, or 50 per cent more than in 1950. Net earnings from voyages solely between foreign ports were 575,000,000 crowns (\$83,200,000) in 1951.)

BELGIUM -

The tonnage of sea-borne merchandise moving between Belgium and the Soviet countries amounts to only 2 per cent of the total sea tonnage moving between Belgium and all other countries. In addition, it has been determined that most of the tonnage originating in or destined for Soviet countries is carried in ships belonging to the Bloc. Although there is no information available as to the amount of income received by Belgium as a result of shipping and shipping services to the Bloc, it is estimated that because of the small tonnage involved and the fact that few Belgian ships are used in this traffic, income from this activity is very small compared to total Belgian shipping receipts from the world.

FRANCE -

1. Income from Shipping (6 mos. 1951)
 - Poland - \$9,000 receipts
 - Czechoslovakia - \$12,000
 - (n.a. for other countries)
2. Net receipts (Receipts minus expenditures)
 - (a) Total (all countries)
 - \$36,767,000 - Receipts
 - 133,682,000 - Expenditures
 - \$96,913,000 - Net Balance

GERMANY -

No data available.

NETHERLANDS -

1. Income received from shipping services to the Bloc.

Netherlands statistics do not show a breakdown of receipts from "invisibles" by either country or category (banking,

insurance, shipping, etc.). It was estimated that the Netherlands earned \$156 million in invisibles from the Bloc in 1951 (probably mostly from shipping, insurance and banking commissions.)

2. Gross income from services to all countries amounted to about \$525 in 1951, as compared to the estimate of \$156 million from the Bloc. Assuming that this estimate is correct, more than 25 per cent of the total gross receipts from services would have come from services to the Bloc. A comparison between total net receipts and net receipts from the Bloc is not possible, since the estimate apparently refers only to gross receipts. (Net receipts from services to all countries amounted to about \$310 million in 1951.)

ITALY -

No specific data on income from shipping services to the Bloc is available.

There are occasional repairs made to Bloc ships in Italian yards, Bloc ships are fueled, there are two long-term Italian ships chartered, and approximately seventeen ships or more made single voyages to the Black Sea during the period January-May 1952.

Italy earned roughly \$100,000,000 from world-wide shipping services in 1951. If we assume that Italy's earnings from shipping services to the Bloc are in roughly the same proportion as Italy's merchandise exports to the Bloc are to the world (which is about $3\frac{1}{2}$ per cent), then we might roughly estimate that the earnings are \$3,500,000. This, of course, is at best a rough estimate. In any case, the sum would not be especially significant as a percentage of Italy's global earnings from merchandise trade and services which amounted to almost \$2,000,000,000 in 1951.

NORWAY -

1. No figures are available on Norway's income from shipping services to the Bloc. The figure, however, is not thought to be substantial, and the proportion to total receipts is likely to be small.

SWEDEN -

There is no specific information available on the income received from shipping services to the Soviet Bloc. In the case of Eastern European countries, payments for shipping

SWEDEN -
Continued

services enter into the clearing arrangements of the bilateral agreements with the individual countries.

Income from direct traffic with China and North Korea is probably relatively small under current conditions and would have small effect on Sweden's overall balance of payments.

UNITED KINGDOM - Balance of payments figures are not available for either gross or net shipping receipts from the Soviet Bloc. Amount is believed to be very small since net shipping receipts from entire residual group (which includes Spain and most of Middle and Far East as well as Eastern Europe, including the USSR and Eastern Germany) in the geographic breakdown of the United Kingdom balance of payments totalled £25 million (\$70 million) in 1951.

About 40 per cent of United Kingdom imports from Soviet Bloc in Eastern Europe are carried in British ships while all British exports and re-exports to USSR are carried in Russian vessels.

About half of British exports to Eastern European satellites are carried in ships of United Kingdom registry, the other half is hauled by West or East European shipping.

British vessels had been used extensively in trade with Communist China and in China coastal trade.

The following unclassified tables showing nationality of vessels in seaborne trade of United Kingdom may be of interest:

STATISTICS ON THE NATIONALITY OF VESSELS IN THE SEABORNE
TRADE OF THE UNITED KINGDOM IN 1949

Percent United Kingdom Imports Carried

Country from which Consigned	Nationality of Vessel		
	Commonwealth	Dutch	Residual Countries ^{1/}
U.S.S.R.	40%	-	41%
Poland	43%	-	37%
Hungary	73%	19%	7%
China	99%	-	-

Percent United Kingdom Exports Carried

Country from which Consigned	Nationality of Vessel			
	Commonwealth	Dutch	U.S.S.R.	Residual ^{1/} Countries
U.S.S.R.	-	-	95% ^{2/}	95% ^{2/}
Poland	40%	-	-	59%
Czechoslovakia	71%	23%	-	5%
Hungary	48%	44%	-	5%

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Percent of United Kingdom Re-Exports Carried

<u>Country to which Consigned</u>	<u>Commonwealth</u>	<u>U.S.S.R.</u>	<u>Poland</u>
U.S.S.R.	-	100%	-
Poland	16%	-	84%

1/ Residual countries exclude in addition to the Commonwealth and the Netherlands, Finland, Sweden, Norway, Denmark, France, United States and Panama

2/ U.S.S.R. is also included in Residual Countries

SOURCE: "Nationality of Vessels in the Seaborne Trade of the United Kingdom", Board of Trade Journal, August 25, 1951.

"There is no data on which to draw any definite conclusions as to the flag distribution in 1951. From the pattern of British trade with the Soviet Bloc in that year it might be inferred that there was little, if any, change in the nationality of vessels engaged in this trade in 1951 as compared with 1949. The term "Nationality of Vessels", refers to the country in which the ship is registered."

FINLAND Of the total free trade deliveries (excluding reparations shipments) of 15,548,947,363 Finnish marks to the Soviet Union in 1951, 2,097,399,500 Finnish marks represented watercraft deliveries. This equals 13.5 per cent of Finnish exports to the Soviet Union. Of war reparations deliveries of \$17,950,200 (1938 dollar values), deliveries of vessels of all categories constituted \$9,639,000 or about 54 per cent of the total.

OTHER COUNTRIES - In the case of the remaining countries no accurate data are available but due to the negligible volume of shipping and shipping services provided by these countries to the Soviet Bloc, it is fair to assume that cessation of such activities will have practically no effect on the balance of payments considerations.

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	QUANTITY		VALUE	
	<u>1950</u>	<u>1951</u>	<u>1950</u>	<u>1951</u>
Greece	437,580	736,251	90.3	88.4
Turkey	985,329	1,505,436	263.4	314.0
Sweden	n.a.	n.a.	1,103.1	1,778.5
Spain	3,996,392	3,848,663	404.9	477.7
Portugal	1,666,381	n.a.	185.5	263.1
Norway	n.a.	n.a.	390.2	620.0
Netherlands	14,442,246	16,610,858	1,391.7	1,951.5
Italy	5,245,647	6,369,925	1,199.4	1,629.3
Germany	41,680,918	43,004,199	1,980.5	3,473.6
France	34,378,000	39,889,000	3,079.2	4,225.1
Finland	n.a.	n.a.	354.3	812.3
Denmark	n.a.	n.a.	664.9	837.9
Belgium	16,360,826	20,260,475	1,651.4	2,651.4
United Kingdom	<u>n.a.</u>	<u>n.a.</u>	<u>6,317.0</u>	<u>7,578.3</u>
TOTAL	119,193,219	132,223,307	19,075.8	26,701.1

TABLE D - EXPORTS TO SOVIET BLOC

Greece	576	1,417	.5	.4
Turkey	44,665	42,941	18.1	24.7
Sweden	n.a.	n.a.	83.6	126.7
Spain	n.a.	n.a.	.3	.4
Portugal	32,747	n.a.	2.8	4.7
Norway	n.a.	n.a.	25.8	29.2
Netherlands	237,427	124,725	37.0	40.0
Italy	167,438	154,259	62.7	65.7
Germany	51,796	n.a.	86.2	67.8
France	114,004	106,543	38.0	40.1
Finland	n.a.	n.a.	43.2	94.5
Denmark	n.a.	n.a.	21.8	40.0
Belgium	326,765	405,637	67.6	64.4
United Kingdom	<u>n.a.</u>	<u>n.a.</u>	<u>97.0</u>	<u>119.3</u>
TOTAL	975,418	835,577	584.6	717.9

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TABLE E - EXPORTS TO SOVIET BLOC
as percentages of total exports (expressed in value)

	<u>1950</u>	<u>1951</u>
Greece	5.5%	.45%
Turkey	6.87%	7.97%
Sweden	7.58%	7.12%
Spain	.07%	.08%
Portugal	1.51%	1.79%
Norway	6.61%	4.71%
Netherlands	2.68%	2.05%
Italy	5.22%	4.03%
German Republic	4.35%	1.95%
France	1.23%	.95%
Finland	12.19%	11.63%
Denmark	3.29%	4.77%
Belgium	4.09%	2.43%
United Kingdom	<u>1.53%</u>	<u>1.57%</u>
TOTAL	3.08%	2.69%

II-C-2-(a) - Yes. Although a certain amount of dislocation in the West would be inevitable, the West will be able to absorb this shipping without undue difficulty, particularly as the West seeks in other areas materials now coming from the Soviet Bloc.

II-C-2-(b) - No. Western shipyards now have a backlog of unfilled orders sufficient to keep them busy for at least four years. Soviet Bloc orders in these yards are so small, comparatively speaking, that they have no economic significance.

II-C-2-(c) - No. (See C-2-b above.)

IV. Importance of Merchant Vessels to the Soviet Bloc in Time of War

A. With respect to:

1. Size: In the Arctic, Baltic, Black Sea, and along the China Coast the relatively small size of the Soviet Bloc merchant ships would represent a distinct advantage, as small ships are eminently suited to amphibious operations. Moreover, in these areas distances between ports are not great and port facilities are such that only small ships can operate efficiently there. The only area where the Soviet Bloc would need larger ships is in the Far East north of

Vladivostok. Most of the larger Soviet Bloc ships are now in that

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area. Denial of large ships (that is, 7000 tons and over) to the Soviet Bloc would not (repeat not) seriously diminish Soviet war potential. As corroboration, of the 43 ships bought by the Soviet Bloc in the West since 1947, only six were over 7000 gross tons, and the average was 3568 gross tons.

2. Speed: The relatively slow speed of Soviet Bloc merchant ships represents only a trivial disadvantage in the Arctic, Baltic, Black Sea and along the China coast. In the Far East, north of Vladivostok, faster ships would be desired and the Soviet Bloc now has a substantial proportion of its faster ships in this area. Denial of fast ships (that is, 12 knots and above) would not (repeat not) seriously diminish Soviet war potential especially during the early stages of a campaign.

As corroboration, of the 43 ships bought by the Soviet Bloc since 1947, only 17 had cruising speeds of 12 knots and above.

3. Tonnage (in Gross Tons): The Soviet Bloc now has enough merchant ship tonnage to wage all-out war. In the event of war, it is estimated that the Soviet Bloc would augment its present merchant fleet by at least 800 thousand gross tons of captured shipping of all sizes and types.

4. Type of Vessel: The Soviet Bloc merchant marine lacks tankers, and this lack might hinder the Soviet war effort in some areas, particularly in the Far East.

5. Age, Condition, and Type of Propulsion: The old age and generally poor condition of the Soviet Bloc merchant fleet would be a detriment to Soviet war potential only in proportion as the Soviets engaged in long-term amphibious operations. For a short-term campaign the present fleet would be adequate. The type of propulsion would not affect Soviet war potential one way or the other.

6. Structural Characteristics: The Soviet Bloc now has 17 freighters and combinations that could be converted to commerce raiders in time of war. In addition the Bloc has 11 tankers which could be converted to raiders, raider supply craft, or submarine supply craft.

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B. With respect to:

- 1-4. Western repairs, alterations, ship supplies, stores,
chartering and carriage of controlled goods: In time
of war none of these Western facilities would be available
to the Soviet Bloc.

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TABLE I

COMPOSITION OF THE SOVIET BLOC MERCHANT FLEET AS OF
15 MAY 1952
(1000 Gross Tons and Over)

	<u>No.</u>	<u>Gross Tons</u>	<u>Comb.</u>	<u>Types of Freighters</u>	<u>Ships Tankers</u>	<u>Misc.</u>
U.S.S.R.	592	2,000,954	74	464	33	21
Communist China	135	366,153	39	85	11	—
Poland	67	254,203	3	57	2	5
Other European Satellites	<u>14</u>	<u>47,694</u>	<u>2</u>	<u>12</u>	<u>—</u>	<u>—</u>
Total	<u>808</u>	<u>2,669,004</u>	<u>118</u>	<u>618</u>	<u>46</u>	<u>26</u>

- Notes: (1) "Other" European Satellites include Bulgaria, Czechoslovakia, Hungary, and Rumania. Neither Albania nor East Germany has any ships of 1000 gross tons or over.
- (2) The total for Communist China includes 48 ships of 161,745 gross tons under foreign flag.
- (3) "Miscellaneous" ships include large trawlers, whaling factories, crab canneries, etc.

TABLE II
MERCHANT SHIPS ACQUIRED BY THE SOVIET BLOC

	1939 - 46		1947		1948		1949		1950		1951		1952	
	No.	Grt.	No.	Grt.	No.	Grt.	No.	Grt.	No.	Grt.	No.	Grt.	No.	Grt.
Purchases in the West														
Second-hand Ships)														
From British Empire	6	39,659	-	-	1	3,044	-	-	-	-	5	36,615	-	-
From Denmark	5	22,505	1	-	-	-	-	-	-	-	3	15,329	-	-
From Norway	4	15,800	1	4,191	-	-	1	3,649	-	-	-	-	-	-
From Sweden	3	9,524	1	1,240	-	-	-	-	2	9,980	-	-	-	-
From France	1	8,062	-	-	-	-	-	-	-	-	1	6,021	-	-
From U.S.A.	1	7,612	-	-	-	-	-	-	-	-	1	8,062	-	-
From Philippines	1	5,011	-	-	-	-	-	-	-	-	-	-	-	-
From Belgium	1	1,629	-	-	-	-	1	1,629	-	-	-	-	-	-
TOTAL	22	111,822	2	3,949	3	14,066	1	3,044	4	19,453	10	66,027	-	-
Purchases in the West														
(New Construction-Delivery)														
From Belgium	13	22,950	-	-	-	-	1	1,760	3	5,010	6	10,710	3	5,470
From Italy	2	6,996	-	-	-	-	1	-	-	-	1	3,493	1	3,493
From Finland	2	4,722	-	-	-	-	-	-	-	-	2	4,722	-	-
From Britain	2	4,385	-	-	-	-	1	1,166	1	3,219	-	-	-	-
From Sweden	3	3,342	-	-	-	-	-	-	-	-	2	2,223	1	1,114
From Denmark	1	3,181	-	-	-	-	-	-	-	-	1	3,181	-	-
TOTAL	23	45,576	-	-	-	-	2	2,926	4	8,229	12	24,339	5	10,082
Construction in Soviet Bloc														
Salvage	13	25,438	-	-	1	1,050	2	4,008	5	9,728	1	1,946	4	8,676
Reparations-2nd Hand Ships	11	51,395	-	-	-	-	6	27,804	2	4,851	2	3,454	-	-
Reparations-New Construction	128	401,772	128	401,772	-	-	-	-	-	-	-	-	-	-
Seizures	48	68,983	8	11,683	4	5,771	10	12,691	10	13,034	9	14,207	5	6,976
Seizures	57	44,535	57	44,535	-	-	-	-	-	-	-	-	-	-
Lend Lease	83	518,310	83	518,310	-	-	-	-	-	-	-	-	-	-
TOTAL	340	1,110,453	276	976,300	5	21,057	10	13,771	17	27,613	12	19,607	9	15,652
GRAND TOTAL	385	1,267,831	278	980,249	8	35,123	12	16,615	25	55,300	34	109,973	14	25,734

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TABLE II - Continued

NOTES:

(1) This tabulation excludes Communist China and ships under 1000 gross tons.

(2) The grand total represents the actual acquisitions between 1939 and 15 May 1952. The net increase of the European Soviet Bloc merchant fleet between 1939 and 15 May 1952 is 319 ships of 1,167,063 gross tons, because of deletions through sinking, scrapping, transfer, etc.

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TABLE III

TABULATION OF THE ESTIMATED TOTAL MAXIMUM YEARLY CAPACITY IN
GROSS REGISTERED TONS OF THE SHIPYARDS OF THE SOVIET
BLOC

<u>Name of Shipyard</u>	<u>USSR Location</u>	<u>Estimated Total Maximum Yearly Capacity in GRT</u>
Petrozavodsk	Arctic Area	9,300
Rybprom	Arctic Area	23,200
Mobtovsk	Arctic Area	88,800
Krasnayakuznitsa	Arctic Area	9,000
Baltic	Baltic Area	86,100
Marti	Baltic Area	28,800
Zhdanov	Baltic Area	53,200
Sudomekh	Baltic Area	20,200
Okhtenski	Baltic Area	21,600
Nevski	Baltic Area	4,000
MVD (5 yards)	Baltic Area	5,000
Izhora	Baltic Area	2,000
Kronstadt	Baltic Area	7,200
Laksa	Baltic Area	2,000
Morskoi Zavod	Baltic Area	18,000
Kapli II	Baltic Area	18,500
Camstigall	Baltic Area	35,600
Klaipeda	Baltic Area	18,000
Schichau	Baltic Area	5,800
Marti Nikolayev	Black Sea Area	64,600
Northern	Black Sea Area	41,300
Marti, Odessa*	Black Sea Area*	3,000*
Kherson*	Black Sea Area*	4,000*
Karysh Burun	Black Sea Area	15,000
Sevastopol	Black Sea Area	18,000
Novorossisk	Black Sea Area	6,000
Amur	Far East Area	63,600
Osiporski	Far East Area	4,000
Basa Amurskaya	Far East Area	5,000
Nikolayevsk	Far East Area	5,000
Sovetskaya Gavan	Far East Area	4,000
Dalstroy	Far East Area	5,000
#2	Far East Area	4,000
Kokui*	Far East Area*	2,000*
Kanchatka*	Far East Area*	3,000*
Kirov, Astrakhan*	Inland Area*	2,000*
Lenin, Astrakhan*	Inland Area*	2,000*
International, Astrakhan	Inland Area*	2,000*
Krasnoarmeisk*	Inland Area*	3,000*
Samara*	Inland Area*	2,000*
25th October*	Inland Area*	2,000*
#340 Zelenodolsk	Inland Area	3,000
Krashoe Sormovd	Inland Area	12,000
Molotov	Inland Area	5,600
Karl Marx*	Inland Area*	1,000*
Gorodets	Inland Area	3,000
#341 Katerostrogenive*	Inland Area*	1,500*
Voladarski*	Inland Area	1,500*
Schmiedehafen	Inland Area	3,000
USSR - Estimated Grand Total		717,400 gross tons

*Engaged in Merchant Ship Construction Only

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POLAND

<u>Name of Shipyard</u>	<u>Location</u>	<u>Estimated Total Maximum Yearly Capacity in GRT</u>
Elblag	Elblag	32,700
Gdansk	Gdansk	65,400
Wojan	Gdansk	6,000
Vulcan	Stettin	59,500
Odra	Stettin	36,700

POLAND - Estimated Grand Total 200,300 gross tons

EAST ZONE GERMANY

Neptun	Rostock	19,100
Rothensee	Magdeburg	18,000
Warnow	Warnemuende	19,400
Mathias-Thesen	Wismar	16,300
Ernest Thailen	Brandenburg	10,000
Elbe	Boizenburg	3,750
Hugo Schutze	Aken	12,600
Tetlow	Berlin-Zehlendorf	6,000
Bolle	Derbin	2,000
Hermann Loesche	Derbin	3,000
Hermecke	Magdeburg	6,000
W. D. Voss	Plaur Havel	4,400
Magdeburg	Magdeburg Zollhafen	6,800
Moser	Holz & Essen	1,500
Gustav Bauer	Wernsdorft	1,500
Georg Bierstedt	Tanaemunde	11,100
Rogatz	Rogatz	10,800
Carl Gannott	Niederlehme	2,400
Wilhelm Vopel	Alsleben	2,600
Herman Haase	Mullross	3,200
Adell & Poche & Sohns	Sachsen	4,000
Henrich Weisse	---	15,000
Volkswerft	Stralsund	5,000
Adolph Schutze	Genthin	2,400

EAST ZONE GERMANY - Estimated Grand Total 186,850 gross tons

CZECHOSLOVAKIA

Komarno Yard #1	Komarno	2,000
Komarno Yard #2	Komarno	12,000
CKD	Usti nad Labem	10,500
Holesovice	Praha-Holesovice	7,500
Liben	Praha-Liben	3,500
Bratislava	Bratislava	6,000

CZECHOSLOVAKIA - Estimated Grand Total 46,500 gross tons

Security Information

<u>Name of Shipyard</u>	<u>Location</u>	<u>Estimated Total Maximum Yearly Capacity in GRT</u>
<u>RUMANIA</u>		
Turnu-SRT	Turnu-Sevrin	10,000
Constantza	Constantza	1,600
Braila	Braila	5,750
Alexici	Braila	1,100
Franco-Roman	Braila	2,100
Danubiu	Braila	1,100
Izbanda	Braila	2,100
Braila-SRT	Braila	4,200
Galatz-SRT	Galatz	6,300
Orsova-SRT	Orsova	1,100
Olentia	Olentia	1,100
RUMANIA - Estimated Grand total		36,450 gross tons
<u>COMMUNIST CHINA</u>		
Kiangnan	Shanghai	14,300
Ta Chung Hua	Shanghai	2,800
Moller	Shanghai	4,000
Franco Chinese	Shanghai	5,700
Tsingtao	Tsingtao	1,400
COMMUNIST CHINA - Estimated Grand Total		28,200 gross tons
<u>BULGARIA</u>		
Neptun	Stalin (Varna)	11,600
Koralovag	Stalin (Varna)	4,400
Varna	Stalin (Varna)	7,700
BULGARIA - Estimated Grand Total		23,700 gross tons
<u>HUNGARY</u>		
Ganz	Budapest	10,000
Obuda	Budapest	6,000
HUNGARY - Estimated Grand Total		16,000 gross tons
<u>ALBANIA</u>		
Durazzo	-	4,800
ESTIMATED GRAND TOTAL FOR SOVIET BLOC		1,290,200 gross tons

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TABLE IV

SOVIET BLOC MERCHANT SHIPS UNDER REPAIR IN WEST
EUROPEAN YARDS - 15 MAY 1952

<u>Belgium</u>	Antwerp	MOLOTOV	Russian	2332	Ar. 29 March 1952
		KUBAN	Russian	7176	Ar. 14 April 1952
		KOSCIUSZKO	Polish	7527	Ar. 31 March 1952
<u>Britain</u>	Middlesborough	STALOWA WOLA	Polish	3133	Ar. 15 Dec. 1951
<u>Denmark</u>	Aarhus	WISLA	Polish	3108	Ar. 2 Sept. 1951
	Copenhagen	MIKOLAJ REJ	Polish	5614	Ar. 22 Feb. 1952
	Elsinore	KIEPCE (ex-Emily Sauber)	Polish	3485	Ar. 2 July 1951
<u>Netherlands</u>	Amsterdam	STALINABAD	Russian	7176	Ar. 13 Feb. 1952
	Schiedam	IVAN POLZUNOV	Russian	7176	Ar. 22 March 1952
		PSKOV	Russian	7176	Ar. 26 March 1952
<u>Italy</u>	Genoa	PAMIR	Russian	6492	Ar. 4 Oct. 1951
		SEVASTOPOL	Russian	7176	Ar. 5 April 1952
		ALEXANDER			
		SUVOROV	Russian	7176	Ar. 4 May 1952
	Naples	KOLKHOSNIK	Russian	7148	Ar. 10 March 1952
		TARAS			
		SHEVCHENKO	Russian	5622	Ar. 16 April 1952
<u>West Germany</u>	Hamburg	PRZYSZLOSC	Polish	7196	Ar. 25 April 1952
	Bremen	PRZYJAZN			
		NARODOW	Polish	8880	Ar. 21 April 1952
		OLSZTYN	Polish	1925	Ar. 5 May 1952
Total		-	10 Russian	- 64,650	gross tons
			8 Polish	- 39,863	gross tons
			<u>18</u>	<u>104,513</u>	gross tons

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TABLE V
NON-COMMUNIST REGISTERED MERCHANT SHIPS UNDER CHARTER TO THE SOVIET BLOC IN 1951
BY REGISTRY

Approved For Release 2001/09/04 : CIA-RDP92B01090R000300020028-3

No.	Gross Tons (thousands)	Percent By Tons	Dry Cargo	Tanker	Over 7000 Grt.	4-7000 Grt.	Under 4000 Grt.	12 Knots and Over		Under 12 Knots	Charter	
								Under 4000 Grt.	Over 6 Months		Under 12 Knots	Over 6 Months
EUROPEAN COCOA COUNTRIES:												
U.K.	20	117	21.0	-	13	3	4	3	3	17	17	3
NORWAY	16	46	8.3	-	1	3	12	2	2	14	-	16
ITALY	13	42	7.5	5	2	3	8	2	2	11	2	11
DENMARK	5	20	3.6	-	-	2	3	3	3	2	1	4
TOTAL	54	225	40.4	5	16	11	27	10	10	44	20	34
OTHER EUROPEAN COUNTRIES:												
GREECE	17	95	17.1	-	9	3	5	1	1	16	2	15
TURKEY	9	34	6.1	-	-	4	5	1	1	8	2	7
FINLAND	7	29	5.2	2	3	-	4	-	-	7	1	6
SWEDEN	1	4	0.7	-	-	1	-	1	1	-	-	1
TOTAL	34	162	29.1	2	12	8	14	3	3	31	5	29
OTHERS:												
PANAMA	26	150	26.9	1	11	10	5	2	2	24	-	26
COSTA RICA	2	14	2.5	1	2	-	-	-	-	2	-	2
LIBERIA	1	6	1.1	-	-	1	-	-	-	1	-	1
TOTAL	29	170	30.5	2	13	11	5	2	2	27	-	29
GRAND TOTAL	117	557	100.0	9	41	30	46	15	15	102	25	92

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TABLE VI
NON-COMMUNIST REGISTERED MERCHANT SHIPS UNDER CHARTER TO THE SOVIET
BLOC IN 1951 - BY BENEFICIAL OWNER

No.	Gross Tons (thousands)	Percent by Tons	Dry Cargo	Tankers	Over 7000 Grt.	4-7000 Grt.	Under 4000 Grt.	12 Knots and Over	Under 12 Knots	Charter Over 6 Months	Charter Under 6 Months
EUROPEAN COCOM COUNTRIES:											
British Empire	27	208	37.3	1	20	7	10	4	33	17	20
Norway	16	46	9.3	-	1	3	13	2	14	-	16
Italy	14	49	8.8	6	2	4	8	2	12	2	12
United States	6	42	7.5	-	5	1	-	-	6	-	6
Denmark	5	20	3.6	-	-	2	3	3	2	1	4
TOTAL	78	365	65.5	7	28	17	33	11	67	20	53
OTHER EUROPEAN COUNTRIES:											
Greece	22	125	22.5	-	10	7	5	1	21	2	20
Turkey	9	34	6.1	-	-	4	5	1	8	2	7
Finland	7	29	5.2	2	3	-	4	-	7	1	6
Sweden	1	4	0.7	-	-	1	-	1	-	-	1
TOTAL	39	192	34.5	2	13	12	14	3	36	5	34
GRAND TOTAL	117	557	100.0	9	41	29	47	14	103	25	92

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